

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of)	
)	
Federal-State Joint Board on)	CC Docket No. 96-45
Universal Service)	
)	
Forward-Looking Mechanism)	CC Docket No. 97-160
For High Cost Support for)	
Non-Rural LECs)	

**COMMENTS
OF
ALIENT COMMUNICATIONS CO.**

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Aliant Communications Company ("Aliant"), by its attorneys, hereby submits its comments in the above-captioned proceedings.¹ These comments address the appropriate input values for a federal forward-looking economic cost mechanism and the level of the revenue benchmark. In order to facilitate the Commission's consideration of these comments, Aliant references the particular sections of the Commission's Public Notice to which they relate.

Customer Location Data

Aliant believes that the present geocoded data contained in the HAI model is grossly inadequate in locating customers in the rural territory it serves. In testimony filed with the Nebraska Public Service Commission, Mr. Douglas Denney, speaking for AT&T as a proponent of the HAI model, indicated that geocoded data for Nebraska correctly identifies the actual location of only one percent of the customers in density zones of under 5 lines per square mile.²

¹ *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45 and *Forward-Looking Mechanism for High Cost Support for Non-Rural LECs*, CC Docket No. 97-160, DA No. 98-848.

² Nebraska Public Service Commission Docket No. C-1633, Direct Testimony of Douglas Denney on Behalf of AT&T Communications of the Midwest, Inc., April 8, 1998, p. 67.

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HAI geocoded data only correctly identifies the actual location of 35 percent of customers in density zones of 5 to 100 lines per square mile.³

While Aliant believes the current geocoded data is woefully inadequate, Aliant does not believe that incumbent local exchange carriers alone should bear the costs of correcting the model deficiencies in this respect. Aliant has not estimated the cost of using global positioning satellite devices in order to produce more accurate geocoded data, but believes that it would be considerable, especially for carriers such as Aliant that have a sizeable proportion of customers located outside of cities and towns. The only use for geocoded data that Aliant has at this point in time is for the proxy models being used to determine universal service costs. Since this data only has this one use, Aliant recommends that the costs of any method suggested by the Commission for use to improve the geocoded data be borne as a cost of universal service. In other words, the costs of providing such data should not be borne by the individual companies, as this would discriminate against carriers with a larger rural base of customers--exactly the type of carriers universal service funding was designed to help.

Defining "Households"

Aliant believes that total housing units (occupied and unoccupied) is the appropriate measure of the term "households" for calculating universal service costs.

The HAI model approach of estimating the cost of serving only households with telephones at a given point in time is unnecessarily restrictive and not representative of the cost of providing service over time (even in a period as short as a week). Omitting the investment to serve unoccupied (but intended for occupancy, as defined by the Bureau of the Census) housing units

³ *Id.*

understates the cost of providing service. If telephone plant is not constructed to all housing units intended for occupancy, it would need to be installed when a "household" later moves in and subscribes to telephone service. This additional installation would cost more than if the telephone plant were placed to all housing units initially.

Many state regulatory agencies require incumbent LECs to serve any customer requesting service within a prescribed interval of time. The HAI model's omission of the construction of telephone plant to all unoccupied housing units may not allow for construction of plant to serve all customers requesting service in previously unoccupied housing units within state required time limits.

Requiring incumbent LECs to provide data on the number of lines served in each wire center might produce more accurate data, but should not be required because of competitive issues. This would amount to incumbent LECs disclosing their market share by location to potential competitors. Even if the data were submitted to the universal service administrator for universal service funding purposes only, there are numerous mechanisms for obtaining public disclosure of this information.

Depreciation

Depreciation lives for Aliant are set by the Nebraska Public Service Commission (NPSC). Because the NPSC is the regulatory body charged with reviewing this data for reasonableness, Aliant submits that the depreciation lives set by the NPSC are more appropriate for use by Aliant than FCC prescribed ranges.

The Commission has recognized in prior proceedings that its depreciation rules need to be reexamined to reflect the operating environment that exists today after adoption of the Telecommunications Act of 1996 ("1996 Act"). For example, in the *Report and Order* on

Universal Service the Commission said, "We intend shortly to issue a notice of proposed rulemaking to further examine the Commission's depreciation rules."⁴ In yet another order, the Commission stated, "We reach no decision in this Order on the possible use of 'economic' depreciation methods in general. . . . The telecommunications industry is evolving, and this evolution may well require us to revise our prescription methods, or possibly discontinue depreciation rate prescriptions altogether."⁵ Thus, the Commission has in more than one instance recognized that its depreciation rules need revision.

Cost of Installing Outside Plant

In order for Dr. Gabel's model to be applicable to non-rural carriers, the specification of the model would need to be changed so that the model captures the effect of high-density areas on the cost of placing outside plant. Dr. Gabel's model assumes that buried cable is plowed, which is not a valid assumption for predicting non-rural costs. In fact, this assumption is not even valid in the 6-100 lines per square mile density zones served by Aliant. Areas that fall within these density zones are rural subdivisions or small towns, most of which are served by water, sewer, and other utility systems. Telephone plant must be placed by trenching and backhoeing in such areas, not plowing, so as not to cut into these utility systems. Rural and urban areas are very dissimilar, particularly regarding density and the methods used to place the cable. Therefore, if Dr. Gabel's model is used without adjusting for this dissimilarity, the model is unlikely to generate credible predictions of costs for placing cable. However, we do not know how well the model will do empirically since a modified model has not been specified.

⁴ *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, *Report and Order*, FCC 97-157 (rel. May 8, 1997), at ¶ 250(5).

⁵ *Price Cap Performance Review for Local Exchange Carriers*, CC Docket No. 94-1, *Fourth Report and Order and Access Charge Reform*, CC Docket No. 96-262, *Second Report and Order*, FCC 97-159, (rel. May 21, 1997) at ¶ 65.

Revenues to be Included and Level of the Benchmark

The only revenues that are appropriate for inclusion in the benchmark are those derived from providing services that are defined as universal service. Likewise, the models should not be altered to include costs that are associated with services other than universal service.

Congress enacted the 1996 Act to promote and increase competition for telecommunications services while maintaining universal service. As this happens, both services classified as universal and non-universal will and are being priced closer to costs.

Including revenues from non-universal services in the universal service benchmark contradicts the 1996 Act. As the benchmark increases, telecommunications service providers will be forced to increase local rates to recover their portion of the cost of universal service. Raising the benchmark by including non-universal service revenues will, therefore, only serve to increase rates for those consumers for which universal service is intended.

As the subscriber line charge (SLC) recovers a portion of the actual cost of the local loop, it is appropriate for inclusion in the benchmark. Other access charges are not appropriate for inclusion in the benchmark.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "R. A. Mazer", with a long horizontal flourish extending to the right.

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Dated: May 26, 1998

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing Comments of Aliant Communications Co. was sent by first-class mail, postage prepaid, this 26th day of May, 1998, to each of the following:

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